Canadian Corporate Management Company Limited **Annual Report 1980**

Financial Highlights

	1980	1979	Increase or (Decrease)	
		000's		%
Sales	**$407,164**	381,550	25,614	6.7
Net income before the undernoted items	**34,059**	37,459	(3,400)	(9.1)
Interest	**9,473**	8,595	878	10.2
Depreciation and amortization	**5,971**	5,975	(4)	(0.1)
	15,444	14,570	874	6.0
	18,615	22,889	(4,274)	(18.7)
Income taxes	**7,170**	8,976	(1,806)	(20.1)
	11,445	13,913	(2,468)	(17.7)
Minority interest	**622**	674	(52)	(7.7)
Net income	**$ 10,823**	13,239	(2,416)	(18.2)
Per Class X and Class Y share (in dollars)—				
Net income	**$ 2.32**	2.97	(.65)	(21.9)
Equity	**$ 17.31**	15.80	1.51	9.6

Head Office

Suite 2080
Commerce Court West,
P.O. Box 131,
Commerce Court Postal Station,
Toronto, Canada M5L 1E6

Transfer Agents

National Trust Company, Limited
Montreal, Toronto and Calgary

The Canadian Bank of Commerce
Trust Company
New York

Annual Meeting

The Annual and Special Meetings of shareholders of Canadian Corporate Management Company Limited will be held on Friday, May 22, 1981 at 10:30 a.m. in "Commerce Hall" Commerce Court West (King and Bay Streets), Toronto, Canada.

Directors' Report to Shareholders

Overview of the year

The company's earnings per share decreased by 21.9% in 1980, a year of generally slow economic activity. One of the company's primary objectives has been to reduce its vulnerability to the effects of short term economic cycles by diversifying its interests. This policy served us well in 1980 when some of our businesses had an unsatisfactory year. During the year we acquired Direct Film Inc. and Primes de Luxe Inc. which will significantly strengthen our company and further diversify its interests.

A. J. MacIntosh, Q.C.,
Chairman

Peter A. G. Cameron,
President

Sales in 1980 were $407 million, up from $381 million in 1979. The net income of the company was $10.8 million, down from $13.2 million in 1979 and earnings per share decreased to $2.32 from $2.97 in 1979.

Regal Greetings & Gifts, Tender Tootsies Limited, RBW Inc., IEC-Holden Inc., Milltronics Limited and Neo Industries Limited had excellent years partially offsetting significant weaknesses experienced in some of our other businesses. Our electrical and electronics businesses were affected adversely by the low level of building activity, but strength in the commercial and industrial sectors led to a satisfactory performance in a difficult year. Cashway Building Centres suffered losses, although a significant improvement was made during the latter part of the year. Guelph Engineering Company Limited experienced very adverse market conditions in power generation construction, but steps were taken during the year to minimize its dependence on this activity. Jelinek Sports improved its performance, although it suffered a loss because of extremely poor ski conditions, severe competition and the carry over of surplus inventory throughout the industry. The earnings of Direct Film exceeded those anticipated at the time of its acquisition and augur well for its future.

Financial Position

Our company's underlying financial position remained strong in 1980. We increased long term debt by $23,440,000, which had a beneficial effect on working capital. Our ratio of current assets to current liabilities was 2.2 to 1 and the long term debt to equity ratio was 1 to 2. This will permit our company to continue an aggressive acquisition and business development policy.

Acquisitions

During 1980, we acquired 80% of the shares of Direct Film Inc., Canada's leading photo finishing retail chain of 266 stores in Quebec, Ontario and the Maritimes. Direct Film specializes in photo finishing services and retails film, cameras and camera accessories. The company, which contributed to our 1980 earnings, is enlarging its market presence, and should be a significant source of future income.

Our subsidiary Regal Greetings & Gifts acquired Primes de Luxe Inc., a long established Quebec company selling a full line of gifts and novelties through catalogue distribution. This purchase gives Regal effective representation in the Quebec market, which complements its present position in the rest of the country, and offers significant growth opportunities.

Last year alone, we reviewed more than 70 potential acquisitions. Our policy is to continue to search for acquisitions to strengthen the company's operations.

Capital Expenditures

Our company reviews the plant and equipment needs of our subsidiaries on a regular basis to ensure they are able to compete efficiently and take advantage of new market opportunities. During 1980, capital expenditures totalled $8 million, a slight reduction from the $8.6 million spent in 1979. Major expenditures included automation of existing equipment and installation of a new eight unit offset press at RBW; purchase of a large size envelope manufacturing machine at Regal Greetings & Gifts; the renovation of several Cashway outlets; and new production facilities at Northern Pigment and Neo Industries.

During the current year, we anticipate a substantial increase in capital expenditures on plant and equipment to strengthen the performance of several businesses, although a good proportion of these will not yield a positive return in 1981.

Portfolio Review

The Directors regularly review our portfolio of businesses to ensure that each meets our earnings criteria. During the year, Chromalox Canada disposed of its interest in Eastern Wire & Conduits, and the Quebec opera-

tion of Cashway Building Centres (Renovaprix) was also sold. Neither investment offered satisfactory prospects for profitability.

We also review our portfolio to ensure it has a sufficient diversity of businesses to offset cyclical weaknesses in certain markets. At year-end, our company's assets of $194 million were distributed among our principal business segments on the following basis:

	Proportion of Assets
Electrical and Electronics	22.0%
Residential Building Supplies	18.0
Graphics	11.3
Industrial Metal Products	17.5
Consumer Products	27.0
Corporate	4.2
	100.0

Research and Development

Once again, research and development spending was increased from the previous year's level. The work conducted at various subsidiaries, much of it supported by government incentives, was concerned with energy conservation, solar energy, photo voltaics, constant wattage heating cable, ceramic transducers for ultrasonic transmission, high purity oxides for the coatings industry, improvement of electrical efficiency in chrome plating and new products for rail car applications.

We believe it is essential that Canadian industry have the technology necessary to compete in world markets. Consequently, it is urgent that all governments in Canada recognize that present assistance programs for research and development are woefully deficient compared with those of our major industrial competitors. Immediate government action is required to correct this serious national problem.

Business Outlook

The economy in 1981 is not expected to show a marked improvement over 1980. Canada's economic performance will continue to be adversely affected by high interest rates and delay in settling the outstanding energy questions. Regretfully, this means Canada will once again fall short of its potential for impressive real growth. The economies of our country and the U.S. continue to be in recession and there are few clear indications when an upward trend may commence.

We are encouraged that the Government of Ontario has shown an increasing commitment to the use of electric power which should have a beneficial effect on the operations of Chromalox Canada. We expect that, despite the difficulties in the housing market, Cashway Building Centres will be able to contribute to profits in 1981, and that the changes which have been made in the operations of Guelph Engineering Company Limited and a better outlook for Jelinek Sports will lead to improved results.

The performance of Dominion Forge Company Limited will be dependent in large part upon the markets for off-highway equipment, trucks and agricultural and automotive equipment, but improved results are anticipated because its two major customers are not expected to be affected by strikes in 1981. Our consumer products and graphics businesses are all expected to have improved earnings in 1981. Overall we expect an improvement in our company's results in 1981.

Corporate Responsibility

Our company is responsible to many groups—employees, shareholders, customers, suppliers and communities. The plans and programs of the company are designated to respond to these responsibilities. Our employees are the greatest resource of the company and we express our sincere thanks to all of our employees for their contribution to the continued success of the company.

Board of Directors

During the year the Hon. Walter L. Gordon, Chairman of the Board of our company for many years, was appointed Honorary Chairman and was succeeded by Mr. A. J. MacIntosh. Mr. Gordon has been associated with the company since its inception and has made an outstanding contribution to its growth and success.

Submitted on behalf of the Board of Directors

A. J. MacIntosh, Chairman

Peter A. G. Cameron, President

Toronto, Canada,
March 16, 1981

Electrical and Electronics

Chromalox Canada had a good year and satisfactory results. It demonstrated particular strength in the commercial and industrial sector although gross margins suffered because of the extremely competitive conditions in the domestic baseboard and export space heating market.

Chromalox is Canada's leading manufacturer of electric comfort conditioning equipment such as baseboard heaters, electric air furnaces, hot water furnaces and commercial and industrial convection and forced air heaters. In addition, the company manufactures a full range of heating elements for electric ranges, water heaters, dishwashers and small domestic appliances and is actively engaged in the industrial process heating business. The company also markets Fenwal temperature controls for industrial processes and Emerson Electric strip and cartridge heaters.

The company's research and development department under Dr. David Crump is actively engaged in research on heat pumps, electric heating cable, storage heaters and heating elements. It is the company's objective to be fully competitive in the technology applicable to this business.

Chromalox continues to search out opportunities in the export field and with the continuing weakness in the Canadian dollar, it expects to be competitive in many markets. Non-tariff barriers created by various countries are becoming increasingly evident however, and may affect the company's export thrust.

Electro-Therm Inc., had a satisfactory year although its results were adversely influenced by the very low level of housing starts which declined 40% in the U.S. in 1980. A major water heater customer acquired during the year helped to offset the effects of the depressed market for its products.

The company has two plants in Maryland, manufacturing resistance heating elements for original equipment manufacturers of electric hot water heaters, electric ranges and table top appliances. It also manufactures products for commercial and industrial process heating. Products are marketed to OEM's, industrial users and the appliance aftermarket through representatives under the trade name "Thermalink".

The company is modernizing the manufacturing facilities and increasing its capacity to take advantage of new market opportunities and improve costs.

We are pleased to announce the addition to the Board of Directors of Hugh Knox, Executive Vice-President of Daniel Woodhead Inc., Chicago and William J. Carbin, Merchandising Manager of Chromalox Canada.

Glengarry Industries enjoyed excellent results in 1980 and its outlook for 1981 continues to be promising.

Utilizing modern automated equipment Glengarry supplies Chromalox and other appliance manufacturers with a variety of custom roll formed components and stampings in all metals and finishes. In addition, a wide range of special alloy tubing is manufactured for electric heating elements.

A high volume electrostatic paint line is available as well as complete facilities for assembly operations.

Recent inroads have been made in the market for automotive components which has required the company to install new equipment and develop new technology.

Heron Cable Industries Ltd. had another successful year as they continue their policy of aggressive marketing, innovative product development and cost reduction. The company is soliciting export business and was successful in obtaining a major new customer in the United States during the year.

As of December 31, 1980, the company sold its Eastern Wire and Conduits and Taymer Industries divisions as these businesses did not fit in with its long term growth plans.

Heron Cable manufactures electric heating cable, portable heaters, charcoal and log lighters as well as eavestrough de-icing cable under the trade name "Sentinel".

Two new additions to Heron's senior staff were made this year, Robert C. Snider as Controller and Keith R. Chamberlain as Plant Manager.

Hull-Thomson Limited manufactures metal roll formed parts and assemblies for the automotive and appliance industries. 1980 marked the first full year in a new 30,000 sq. ft. plant. Hull-Thomson had a satisfactory year considering the depressed markets for its customers products. The earnings are expected to improve in 1981 as the plant's capacity is filled with high volume components for fuel efficient small cars.

A new 16 stand 1½" shaft roll forming machine was added to Hull-Thomson capacity in 1980 to improve its ability to produce automotive components. Its many spindles and universally mounted cutoff press allow a wide variety of cross sections to be roll formed and easily swept to the infinite variety of curves used in automobile body designs.

Oasis Air Conditioning Inc., which is a joint venture with Canadian Manoir Industries Ltd., had a disappointing year in 1980. The company is continuing its active product development program and in 1980 redesigned its

electric warm air furnace and added to its air conditioning line.

It also conducted research and development work on residential and commercial heat pumps, both air to air and water to air and expects to market these products in 1981.

In January of this year, Oasis installed a new high speed refrigeration-coil finning press which will permit it to look after its own requirements and to supply refrigeration air conditioning coils to other users in the Canadian market.

Solatherm Inc. manufactures and markets solar panels, accessories and swimming pool heating equipment.

It is involved in an active research and development program directed to the development of energy options under a PASEM grant.

The sales and profits for the year were disappointing primarily because of the delay in the implementation of the Government's PUSH Program.

The plant is in a good position to manufacture and market the company's products and with the Federal Government's renewed emphasis on alternative energy options and its release of PUSH funds, Solatherm is expected to have a successful year in 1981.

Dennis J. Banning, previously Commercial Products Manager for Chromalox in Quebec, has been appointed General Manager of Solatherm Inc.

Thermetic Controls Limited's results were adversely affected by the low level of prices prevailing in the market.

The company manufactures linear cut-outs, a safety device used in baseboard heaters and other electrical control devices for the electric heating and cooling market. In addition, the company designs and manufactures through its Elecon Division, a Mark V sound discriminator alarm system.

W. G. 'Bud' Rea, President, Robert E. Reichardt, Vice-President of Engineering and Herbert C. Smith, Sales Manager, all of whom have made a valuable contribution to the company have retired during the year. We are pleased to announce the appointment of Hugh Dickie, as Vice-President and General Manager and Lynn M. Allen, as Marketing Manager.

Hugh Dickie, General Manager and Lynn Allen, Marketing Manager demonstrating a sound discriminator alarm system designed by Thermetic Controls.

Solatherm collector panels used primarily to preheat hot water for printing plate processing.

Delhi Industries Limited is the only Canadian owned manufacturer of centrifugal blowers and gas manifolds for sale to original equipment manufacturers as well as to a network of heating, cooling and ventilating wholesalers serving the residential, commercial and industrial markets across Canada. The company enjoyed a record year for sales and profits in 1980.

During the year the company promoted Walter E. Woods to the position of Vice-President, Sales and Engineering.

Milltronics Limited enjoyed its most successful year in 1980 with good increases in sales and earnings. The company's wholly owned subsidiary, Milltronics Inc. in Arlington, Texas continued its excellent growth pattern.

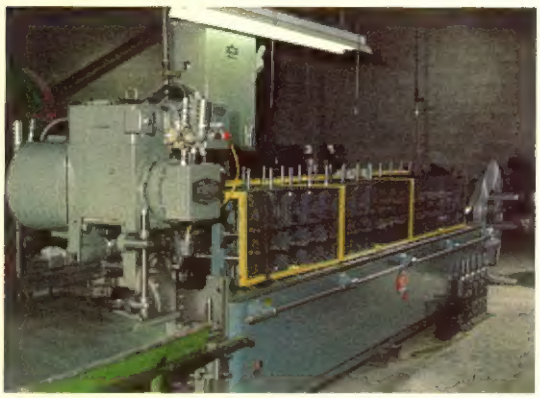
Milltronics Limited is a recognized leader in the supply of control and instrumentation equipment to the dry bulk material processing industries. Products include ultrasonics continuous level and flow measuring systems, conveyor belt scales and weigh feeders, impactline solids flowmeters, motion detectors, ore grinding mill control systems and various process sensors.

The United States and off-shore markets now represent the majority of the company's sales. This trend will continue as the market potential in these areas is realized.

Rantech Electronics Limited designs and manufactures equipment and systems for telemetry, data acquisition, and supervisory control. The company's markets include electrical and municipal utilities, pipelines, transportation and communications companies, mines and heavy industries. Skilled personnel and a microprocessor development system provide in-house capability for hardware and software.

Electrical & Electronics

	1980	1979	1978	1977	1976
Segment sales	**90,799**	82,049	58,014	53,453	48,460
Segment operating profit	**10,099**	9,100	5,850	6,050	6,226



The research and development department at Milltronics.

Top left: Electric immersion water heaters emerging from the plating line at Electro-Therm.

Left: Hull-Thomson's new roll former and press.

Residential Building Supplies

Cashway Building Centres had an unsatisfactory year suffering both from the very low level of building activity in its major markets, and severe competition.

The company is an important retailer of building supplies in Ontario, and operates 45 outlets under the name of Cashway and 12 under that of Peterborough Lumber.

In 1980, significant changes were made by Cashway to enhance its image and to obtain a greater share of the do-it-yourself market.

- Major renovations were made to 12 Cashway stores and a number of other outlets were modernized.
- The Cashway brand name—CrownCraft—will be used in the promotion of new lines of kitchen cabinets, vanities, windows and carpets.
- New programs were instituted with suppliers to improve buying arrangements.
- Test market areas were chosen for evaluation of new products.
- The product mix offered by Cashway has been adjusted to better satisfy the "shelter needs" of the company's customers.
- A management training program will increase the Cashway personnel's skill and knowledge of the building materials business.

Residential housing construction should improve slightly in 1981, and there will be a shift in Cashway's major markets towards more home renovation. As more homes require rehabilitation and upgrading, the demand for home improvement products will increase. Cashway is in a solid position to help home owners and builders in the 80's.

Despite the probability that the level of building activity in 1981 will undoubtedly be depressed by the current high interest rates, the performance of Cashway is expected to improve significantly.

Residential Building Supplies

	1980	1979	1978	1977	1976
Segment sales	**102,654**	118,942	109,233	97,057	103,678
Segment operating profit	**58**	5,698	8,096	8,144	7,384

Peterborough Lumber outlet in Peterborough, Ontario.

CASHWAY

building centres

Entrance to Cashway's Malton store.

Graphics

Cutler Brands and Designs Inc.'s profits were slightly lower than planned due to the effects of a major changeover in glassware suppliers in 1980, and a sharp downturn in the appliance and lighting markets.

The company is Canada's leading manufacturer of decorated glass tableware and cut textile pieces.

Cutler Brands product lines include a full range of plain and decorated glassware, such as, tumblers, stemware, ashtrays and occasional pieces. The company also decorates custom-made glass panels for the appliance and lighting industries. A new multi-colour decorating machine was installed in 1980 to provide additional capacity and improved productivity.

Cutler Designs decorates T-shirts, face cloths, tea towels, beach towels and other unique textile products on high speed multi-colour decorating machines.

Continued growth is expected in the advertising specialty, premium and souvenir markets. Prospects for 1981 indicate a healthy improvement over 1980.

RBW Inc. completed another very successful year in 1980 with substantial growth in sales and profits. The company is one of Canada's leading commercial printing operations specializing in book manufacturing, publications, consumer advertising and catalogues, commercial catalogues and data graphics. The company enjoyed significant growth in all of its market areas during the year. Considerable progress was made in marketing the electronic publishing system initially launched in 1979.

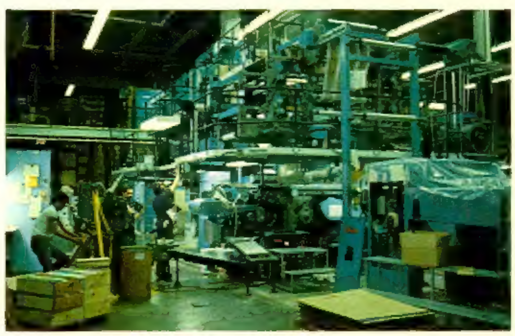
During 1980 the company again achieved major efficiency gains through modifications to existing equipment, innovative production improvements and intensive personnel training programs. A new 8 unit high speed web press was ordered in 1980 and commenced production in January of this year. Major investments are planned for 1981 for additional specialized equipment, technologies and processes for the company's selected markets.

In spite of uncertainties in the general economy, the company is expected to show continued progress in 1981.

Graphics

	1980	1979	1978	1977	1976
Segment sales	**43,505**	37,494	33,285	28,890	28,906
Segment operating profit	**3,357**	3,129	2,326	1,893	1,618

Matching glass tumblers and decor tray designed for the retail market by Cutler Brands.



Top: Use of word processors for computerized typesetting at RBW.

Bottom:
A high speed web offset press at RBW.

Industrial Metal Products

Dominion Forge Company Limited is recognized as having one of the best hot forging capabilities in North America, producing components for off-highway, heavy truck, agricultural and automotive equipment markets. The company specializes in forged parts requiring a high degree of engineering, tooling and manufacturing skills.

Results in 1980 were disappointing due to strikes early in the year at two major customers' plants and a severe decline in all major markets. However, the cold extrusion division enjoyed an excellent year and will be expanded in 1981. Although a dramatic improvement in the market for the company's products is not expected, a gradual improvement in its performance is anticipated.

The Guelph Engineering Company Limited suffered losses in 1980 due to a lower level of business resulting from diminished activity in power generation equipment, and unanticipated manufacturing problems which persisted until late in the year.

The company was substantially reorganized during the year in order to eliminate costs and lessen its dependence on the power generation industry. The principal business will remain high pressure and special quality valves for which the short term outlook is not particularly favourable. However, good progress has been made in identifying opportunities for diversification.

There are significant indications of a major upturn in the principal business for the years beyond 1981 as new projects get underway in the heavy oil recovery, refining, petrochemical, gas processing and pipeline sectors.

IEC-Holden Inc. exceeded its planned sales and profits in 1980 by a healthy margin.

The company is a leading supplier of railway specialty products and services to railroad equipment builders and railway maintenance operations. It also manufactures a number of proprietary specialty devices including hopper outlet gates, damage free bulkhead equipment for box cars, nailable steel flooring, corrugated steel box car liners, roof sheets and hopper hatch covers.

The industrial division, which distributes truck engine brakes and retarders and specialty yard tractors, enjoyed its best year ever. Considerable progress was realized by this division in the marketing of a high energy efficient catalytic heater for use in automotive and industrial paint coating operations.

Sunkiss catalytic thermoreactors manufactured by IEC-Holden used as a paint dryer in a new coach plant.

James DeFroy, Manager of Product Engineering and Gunnar Hansen, Plant Manager of Dominion Forge inspecting ground engagement tool forgings.

Reductions in expenditures by the railways will reduce profit levels in 1981.

Pandrol Canada Limited, a joint venture with Elastic Rail Spike Co. Ltd. of England, produces rail clips used as fastenings to concrete ties. Despite reduced export sales this operation enjoyed very satisfactory results in 1980 and has good prospects for the future.

Neo Industries Limited had another record year in sales and earnings.

The company produces specialized machined and hard chrome plated parts for a diverse group of industries including the steel, packaging, aircraft, oil drilling and defense industries as well as manufacturers of photo copier equipment and chain saws. The success of the company has been in exploiting new market opportunities and developing substantial export sales. The new hard chrome plating operation for aircraft landing gear at the Saltfleet plant was brought into full production in 1980 along with the fuser roll manufacturing line at the same location.

A weakening in several markets is developing, and it will be difficult for Neo to equal 1980's performance.

Northern Pigment Limited had lower sales and earnings in 1980. This was the result of sharp reductions in shipments of oxides to the U.S. magnetic and electronics industries. However, for the third consecutive year, shipments of regular iron oxide for pigmentation use in the coatings and concrete product industries increased. 1981 will see another increase in this demand particularly for use in concrete products, such as interlocking paving blocks. The company is engaged in a major capital investment program to permit it to supply easy dispersion oxides for the paint industry.

Sales in real terms will be higher in 1981, however, earnings are forecast to be about the same as 1980 due to heavy capital expenditures related to both a new blending installation and the easy dispersion project.

Industrial Metal Products

	1980	1979	1978	1977	1976
Segment sales	**77,451**	81,782	63,116	57,314	60,965
Segment operating profit	**5,175**	9,006	7,020	4,283	5,680

Interlocking paving brick—a new market for synthetic iron oxides produced by Northern Pigment.

New installation at Neo's Saltfleet plant for plating aircraft landing gear components.

Consumer Products

Direct Film Inc., a leader for many years in the field of film processing and in the retail sale of photographic merchandise, had an excellent year in 1980, with sales well in excess of forecasts made at the beginning of the year.

During the year, Direct Film acquired several very modern production units for its processing laboratory. These new elements will enable the company to satisfy an ever increasing demand for photo finishing services while maintaining a high level of quality and productivity.

During the year, 16 new stores were opened, and there are now a total of 266 stores in the Direct Film chain.

Prospects for 1981 appear to be excellent. Good performance is expected from all stores, and continued expansion of sales and stores is planned.

Jelinek Sports and **Mariano Sports** experienced lower than budgeted sales in 1980. The extremely unfavourable ski conditions in the 1979/1980 season, heavy inventory carryovers, high interest rates and the general economic slowdown all contributed to the decline in sales.

In spite of this, Jelinek Sports, a supplier of a broad range of sports equipment to the institutional and retail trade had a profitable year. Mariano Sports, a distributor of cross country and downhill ski equipment and accessories was directly affected by the poor snow conditions in Eastern Canada and, although inventories were reduced substantially, a loss was incurred. As a result of better snow conditions in the 1980/81 season, a substantial improvement in ski equipment sales is expected.

The performance in 1981 of both the Jelinek and Mariano divisions is expected to be substantially better than in recent years.

Regal Greetings & Gifts continued to show increased sales and profits, and in 1980 experienced the greatest growth in the company's history.

The company has a successful catalogue business selling a wide range of gift items, greeting cards and paper products through independent agents.

New promotional activities, an increase in the number of distribution centres, improved catalogues and improved product quality and range, all contributed to the growth

Tender Tootsies newest handsewn casuals.


Kennex racquet equipment distributed by Jelinek Sports.

of catalogue operations. During 1980 Regal acquired Primes de Luxe, a similar operation to Regal's, based in Neuville, Quebec. Primes de Luxe has built an excellent business, principally in the Province of Quebec, and their operation complements Regal's. Future years will show increasing benefits from this association.

The Regal Colour Division, selling custom-made envelopes to the mass mailing market, had an excellent year with substantially increased sales and profits. The acquisition of additional web equipment has widened its production capabilities, and a substantial increase in sales and profits is forecast.

Other divisions of Regal, include John Bradford which sells greeting cards and related products to major retailers, and Brentcliffe Fund Raising which offers a fund raising service to charitable organizations, schools and service organizations. Both of these divisions begin 1981 with new management and marketing plans.

Regal sales and profits are expected to increase during 1981 and should exceed the record levels achieved this year.

Tender Tootsies Limited, one of Canada's leading manufacturers' of ladies slippers and shoes, experienced another banner year. Due to aggressive marketing and innovative production techniques, sales and profits increased significantly. Their well-known brand names Tender Tootsies, Lullabies, Temptations, Woc-A-Mocs, Toe Warmers, Toe Wigglers, Snuggle Bugs, Dunk-ums, Man-A-Bouts and Little Lullabies received strong consumer acceptance.

1981 should be another year of continued growth. A new concept of leather handsewn casuals called "Marshmellows"—"the softest treat for your feet" is expected to create additional sales and profits for Tender Tootsies Limited.

Consumer Products

	1980	1979	1978	1977	1976
Segment sales	**92,379**	61,105	53,149	49,806	53,052
Segment operating profit	**11,216**	6,571	4,568	5,569	6,298

Regal and Primes de Luxe 1981 Spring catalogues.

A sample of Direct Film's wide range of photographic products.

Consolidated Financial Statements

Consolidated Statement of Income for the year ended December 31, 1980
(with 1979 figures for comparison) (thousands of dollars except per share data)

	1980	1979
Revenues:		
Sales	$407,164	381,550
Gain on sale of subsidiary companies	418	
	407,582	381,550
Expenses:		
Cost of sales, selling and administrative expenses	379,494	350,066
Interest	9,473	8,595
	388,967	358,661
Income before income taxes and minority interest	18,615	22,889
Income taxes	7,170	8,976
Income before minority interest	11,445	13,913
Interest of minority shareholders in income of subsidiary companies	622	674
Net income	$ 10,823	13,239
Net income per common share (1979 restated for share exchange—note 7)	$ 2.32	2.97

Consolidated Statement of Retained Earnings for the year ended December 31, 1980
(with 1979 figures for comparison) (thousands of dollars)

	1980	1979
Retained earnings at beginning of year	$ 69,791	59,964
Net income	10,823	13,239
	80,614	73,203
Deduct dividends:		
On common shares		
Cash	1,599	1,547
Stock	2,124	1,809
	3,723	3,356
On preferred shares	118	56
	3,841	3,412
Retained earnings at end of year	$ 76,773	69,791

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet December 31, 1980

(with 1979 figures for comparison) (thousands of dollars)

ASSETS	1980	1979
Current assets:		
Cash and term deposits	$ 1,915	782
Accounts receivable	50,962	50,490
Inventories (note 3)	86,681	88,484
Prepaid expenses	1,438	1,575
Total current assets	140,996	141,331
Property, plant and equipment (note 4)	43,025	36,076
Non-current receivables and investments	3,938	6,920
Goodwill and patents	6,227	1,161
	$194,186	185,488

Approved by the Board:

Peter A. G. Cameron, Director
A. J. MacIntosh, Director

See accompanying notes to consolidated financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

LIABILITIES AND SHAREHOLDERS' EQUITY	1980	1979
Current liabilities:		
Bank advances (note 5)	**$ 17,304**	49,333
Accounts payable and accrued charges	**37,218**	32,537
Income and other taxes payable	**5,132**	4,656
Dividends payable	**575**	563
Current portion of long-term debt	**5,090**	3,606
Total current liabilities	**65,319**	90,695
Long-term debt (note 6)	**40,246**	14,382
Deferred income taxes	**2,005**	1,470
Minority interest in subsidiary companies	**3,900**	4,358
Shareholders' equity:		
Stated capital (note 7)	**5,943**	4,792
Retained earnings	**76,773**	69,791
Total shareholders' equity	**82,716**	74,583
Contingencies and commitments (note 8)		
	$194,186	185,488

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 27, 1981

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1980

(with 1979 figures for comparison) (thousands of dollars)

		1980	1979
Financial resources provided by:			
Income before minority interest		**$11,445**	13,913
Items not involving financial resources:			
Depreciation and amortization		**5,971**	5,975
Amortization of goodwill and patents		**433**	249
Deferred income taxes		**(100)**	(1,180)
Financial resources provided by operations		**17,749**	18,957
Increase in long-term debt		**23,440**	
Decrease in non-current receivables and investments		**2,982**	
Issue of common shares			1,786
Sale of subsidiary companies		**2,735**	
Consisting of:			
Property, plant and equipment	$ 2,433		
Other assets	302		
	$ 2,735		
Disposal of property, plant and equipment		**1,269**	1,180
		48,175	21,923
Financial resources used for:			
Acquisition of subsidiary companies		**14,135**	
Less working capital acquired		**3,943**	
		10,192	
Consisting of:			
Property, plant and equipment	$ 8,624		
Goodwill	5,499		
Long-term debt	(2,758)		
Minority interest	(1,173)		
	$10,192		
Purchase of property, plant and equipment		**7,998**	8,568
Cash dividends paid by parent company		**1,717**	1,603
Purchase of minority interest in subsidiary companies		**1,608**	100
Redemption of preferred shares		**974**	886
Dividends and other payments to minority interests		**645**	1,049
Decrease in long-term debt			5,037
Increase in non-current receivables and investments			544
		23,134	17,787
Increase in working capital		**25,041**	4,136
Working capital at beginning of year		**50,636**	46,500
Working capital at end of year		**$75,677**	50,636

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1980

The company is subject to the provisions of the Canada Business Corporations Act. The company is engaged in a broad range of manufacturing, distribution and service activities throughout Canada.

1. Significant Accounting Principles

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee. The significant accounting principles are summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and its subsidiary companies. Acquisitions of such companies are accounted for by the purchase method and the results of their operations are included in the consolidated statement of income from the respective dates of acquisition. Investments in incorporated joint ventures are accounted for by the equity method.

Segmented Information

Segmented information by class of business appears on page 21 of this report. Each industry segment includes companies providing products and services and serving markets that are similar in nature. General corporate items include investment income, interest expense, head office expenses, income taxes and interest of minority shareholders.

Translation of Foreign Currencies

Foreign currencies are translated into Canadian dollars as follows: revenue and expenses at exchange rates effective on the transaction dates; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end. Foreign exchange gains and losses are included in income.

Inventories

Inventories are stated at the lower of cost and market, with cost being determined on a first-in, first-out basis, and with market value being determined at net realizable value for finished goods, work in process and land held for development and at replacement cost for raw materials.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of each class of asset using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases.

Goodwill and Patents

Goodwill is amortized over periods not exceeding ten years for acquisitions made in prior years and over periods not exceeding forty years for acquisitions made in 1980. Patents are amortized over their legal lives.

Comparative Figures

Certain 1979 figures have been reclassified for comparative purposes.

2. Acquisitions and Dispositions

Interests in the following companies were acquired for cash:

	Percentage acquired	Effective date of acquisition
Direct Film Inc., a chain of retail stores selling photographic merchandise and having one central processing laboratory	80%	September 1, 1980
Primes de Luxe Inc., a company selling gifts and novelties through catalogue distribution	100%	June 1, 1980

Details of these acquisitions are as follows:

Assets, at assigned values	$19,458,469
Liabilities, at assigned values	(9,649,557)
Minority interest	(1,173,259)
	8,635,653
Assigned to goodwill	5,499,347
Cost of acquisitions	$14,135,000

In addition, in the latter part of the year, the company acquired the remaining minority interest in Burnel Graham Co. Limited (10%) and Peterborough Lumber Limited (24%) for an aggregate cash consideration of $1,608,000.

During the year the company disposed of its interest in York Telecommunications Limited and Renovaprix (1978) Inc. resulting in a gain of $418,000.

3. Inventories

	(Thousands of Dollars) 1980	1979
Finished goods	**$44,295**	45,057
Work in process	**9,749**	11,341
Raw materials	**26,525**	25,923
	80,569	82,321
Land held for development	**6,112**	6,163
	$86,681	88,484

4. Property, Plant and Equipment

		(Thousands of Dollars) 1980		1979	
	Depreciation and Amortization	Cost	Net Book Value	Cost	Net Book Value
Buildings	4%—10%	**$29,031**	**17,433**	24,296	14,572
Machinery and equipment	20%—30%	**61,616**	**20,536**	53,471	17,062
Leasehold improvements	Term of lease	**3,730**	**1,325**	2,039	902
		94,377	**39,294**	79,806	32,536
Land		**3,731**	**3,731**	3,540	3,540
		$98,108	**43,025**	83,346	36,076

5. Bank Advances

Bank advances of $7,800,000 are secured by specific and floating charges on assets.

6. Long-term Debt

	Average Interest Rates	(Thousands of Dollars) 1980	1979
Bank term loans	bank prime rate	**$40,027**	13,279
Mortgages and other secured debt	12%	**3,409**	2,534
Other unsecured debt	9¼%	**1,900**	2,175
		$45,336	17,988

Approximate principal repayments are as follows:

1981		$ 5,090
1982	$ 3,599	
1983	4,484	
1984	4,088	
1985	2,234	
1986 and later	25,841	40,246
		$45,336

In 1980 the company obtained bank term loans of $24,000,000; the company has complied with restrictions in the loan agreements pertaining to the maintenance of net assets at stated levels.

Bank term loans of approximately $5,727,000 are secured by assignment of assets.

Long-term debt includes U.S. dollar obligations of $3,499,000 at their historic Canadian equivalent of $4,141,000.

Interest expense on long-term debt was $2,429,000 in 1980 (1979—$2,501,000).

7. Stated Capital

	Issued Shares	Stated Capital
Common shares		
Class X non-voting shares	455,165	
Class Y voting shares	4,156,819	
Balance, December 31, 1980	4,611,984	$3,049,323
6% Cumulative preferred shares redeemable at $10 per share		
Balance, December 31, 1979	174,301	1,743,010
Issued as stock dividends	212,436	2,124,360
Redemptions	(97,401)	(974,010)
Balance, December 31, 1980	289,336	2,893,360
Stated capital, December 31, 1980		$5,942,683

At December 31, 1979 the company had a total of 2,305,992 common shares outstanding consisting of 1,049,498 Class A shares and 1,256,494 Class B shares. These shares were interconvertible on a one-for-one basis and ranked equally as to dividends, except that the Class B shareholders received preferred shares of the company as a stock dividend whereas the Class A shareholders received cash dividends. Effective May 22, 1980 each of the former Class A common shares was exchanged for one Class X share and one Class Y share and each of the former Class B common shares was exchanged for one Class X share and one Class Y share, thereby doubling the total number of shares outstanding.

The Class Y shares participate equally in dividends with the Class X shares after a non-cumulative dividend of 10¢ per annum has been paid on the Class X shares. Dividends on either class of shares are payable in the form of cash or 6% preferred shares at the option of the shareholder. Currently the indicated annual dividend for a Class X share is 90¢ and for a Class Y share 80¢.

Until June 28, 1980 the Class X shares and Class Y shares were interconvertible; subsequent to that date the Class X were no longer convertible into Class Y shares. The Class Y are convertible into Class X shares at any time at the option of the shareholder. During the year there were net conversions of 1,850,827 Class X shares into Class Y shares.

The company is a constrained share corporation under the Canada Business Corporations Act whereby the total number of voting shares outstanding that may be held by non-residents is restricted to 25% and the number that may be held by any single non-resident is restricted to 10%.

8. Contingencies and Commitments

The company and its subsidiaries have commitments under long-term operating lease agreements for various periods up to 1997. Future minimum rental payments under such lease obligations outstanding at December 31, 1980 are due as follows:

	(Thousands of Dollars)
1981	$5,862
1982	5,458
1983	4,343
1984	3,184
1985	1,990
1986 and later	3,499

Operating lease payments charged to income in 1980 were approximately $4,300,000.

At December 31, 1980 the unfunded past service costs of employees' pension plans amount to $7,546,000. The unfunded past service costs will be funded and charged to operations over periods to fifteen years.

The company and its subsidiaries are contingently liable for $2,000,000 in respect of guarantees.

Any pending litigation and claims, in the opinion of management, are not considered to be material to the company's financial position.

Segmented Information by Class of Business for the year ended December 31, 1980
(with 1979 figures for comparison) (thousands of dollars)

	Segment Sales		Segment Operating Profit	
	1980	1979	**1980**	1979
Electrical and Electronics electrical comfort conditioning equipment, heating elements, centrifugal blowers, industrial process control equipment.	**$ 90,799**	82,049	**10,099**	9,100
Residential Building Supplies retail building supplies such as lumber, roofing, electrical, plumbing, carpeting.	**102,654**	118,942	**58**	5,698
Graphics printing of books, magazines, catalogues and decorating glass products and textiles.	**43,505**	37,494	**3,357**	3,129
Industrial Metal Products forgings, valves, machined and hard chrome plated parts, railway equipment, synthetic iron oxides.	**77,451**	81,782	**5,175**	9,006
Consumer Products gift and novelty items, women's shoes, sporting goods, camera equipment and photo developing.	**92,379**	61,105	**11,216**	6,571
	406,788	381,372	**29,905**	33,504
General corporate items	**376**	178	**(19,082)**	(20,265)
	$407,164	381,550	**10,823**	13,239

	Identifiable Assets		Capital Expenditures		Depreciation and Amortization	
	1980	1979	**1980**	1979	**1980**	1979
Electrical and Electronics	**$ 42,666**	41,604	**874**	1,729	**1,097**	1,053
Residential Building Supplies	**34,887**	46,802	**1,360**	2,760	**1,374**	1,715
Graphics	**21,918**	19,744	**3,063**	769	**1,174**	1,073
Industrial Metal Products	**34,010**	37,284	**1,316**	2,191	**1,379**	1,336
Consumer Products	**52,467**	36,263	**1,327**	1,059	**918**	775
Corporate	**8,238**	3,791	**58**	60	**29**	23
	$194,186	185,488	**7,998**	8,568	**5,971**	5,975

Sales for 1980 include export sales of $35,293,000 (1979—$41,676,000), primarily to customers in the United States.

Ten Year Summary
(thousands of dollars except per share data)

		1980	1979	1978	1977	1976	1975
Operating Statistics							
Sales	$	**407,164**	381,550	316,800	286,387	294,994	268,587
Income before income taxes, minority interest and extraordinary items	$	**18,615**	22,889	21,012	21,465	21,870	26,063
Income taxes	$	**7,170**	8,976	8,834	8,617	9,594	12,057
Income before extraordinary items	$	**10,823**	13,239	11,407	11,834	11,260	12,237
—per common share (note a)	$	**2.32**	2.97	2.58	2.67	2.54	2.76
Net income	$	**10,823**	13,239	11,407	11,834	11,606	12,319
—per common share (note a)	$	**2.32**	2.97	2.58	2.67	2.62	2.78
Dividends declared	$	**3,841**	3,412	22,707	3,254	2,648	2,448
Dividends paid on a Class Y share (note b)	$	**.78¾**	.75	.75	.75	.61¼	.60
Other Statistics							
Current assets	$	**140,996**	141,331	130,430	102,729	104,178	97,209
Current liabilities	$	**65,319**	90,695	83,930	46,216	54,849	58,244
Working capital	$	**75,677**	50,636	46,500	56,513	49,329	38,965
—ratio of current assets to current liabilities		**2.2 to 1**	1.6 to 1	1.6 to 1	2.2 to 1	1.9 to 1	1.7 to 1
—per common share (note a)	$	**16.41**	10.98	10.50	12.76	11.14	8.80
Property, plant and equipment (net)	$	**43,025**	36,076	34,663	29,417	28,931	27,763
Additions	$	**7,998**	8,568	9,627	5,751	7,039	8,320
Depreciation expense	$	**5,971**	5,975	5,299	4,559	4,781	4,018
Shareholders' equity	$	**82,716**	74,583	62,047	72,527	64,014	55,287
—per common share (note a)	$	**17.31**	15.80	13.82	16.38	14.46	12.48
Price range of Class Y shares (note c)	$	**13-10½**	14⅛-10½	17½-12½	14-10½	14¼-10	11¾-8¼

NOTES

a. The statistics shown above relating to "common shares" have been adjusted to reflect the increase in the number of shares currently outstanding through the creation in June 1980 of Class X and Class Y shares which in the aggregate were double the total number of the Class A and Class B shares that were replaced (see note 7 to the financial statements).

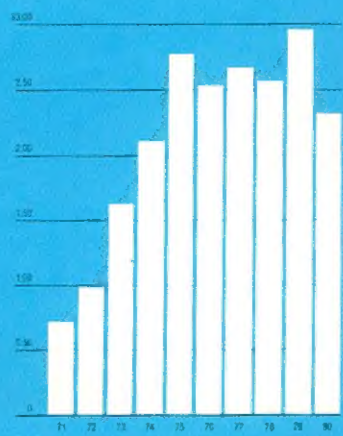
b. Dividends paid on Class Y shares are based on the dividends paid on this class of share and on the former Class A shares (adjusted for the increase in the number of shares outstanding). The dividends on the former Class B shares for the period 1972 to April 15, 1977 were paid out of Tax Paid Undistributed Surplus and were 15% less than the dividend paid on Class A shares; subsequent to April 15, 1977 the dividends paid on Class A and Class B shares were identical. Each Class X share is entitled to a quarterly dividend 2½¢ (10¢ per annum) greater than that paid on a Class Y share.

In addition to the dividends shown, a special dividend of $8.75 (equivalent to $4.37½ on the current shares outstanding) was paid in 1978 from Capital Surplus on Hand on both Class A and Class B shares.

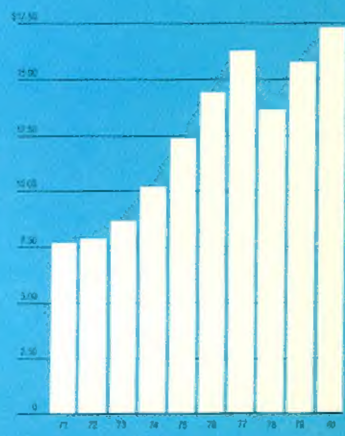
c. The price range of Class Y shares is based upon the price for Class A shares to May 1980 and for Class Y shares subsequent to that date. The price shown in 1980 and prior years, based on Class A shares, has been adjusted to reflect the increase in the number of shares outstanding as described above in note a.

1974	1973	1972	1971
238,070	176,206	137,688	120,616
19,914	15,314	10,277	6,858
9,391	7,254	5,077	3,362
9,331	7,191	4,330	3,054
2.10	1.62	.98	.72
9,415	7,191	4,502	3,334
2.12	1.62	1.02	.78
2,140	1,730	1,332	1,414
.50	.42	.33	.28
87,515	78,176	58,457	41,153
53,652	40,881	28,785	18,498
33,863	37,295	29,672	22,655
1.6 to 1	1.9 to 1	2.0 to 1	2.2 to 1
7.64	8.42	6.70	5.29
21,656	20,264	15,656	16,112
6,388	4,799	3,902	3,140
3,682	2,810	2,447	2,106
45,625	38,648	35,166	32,790
10.30	8.72	7.94	7.66
13¼-7½	13⅜-9½	11¼-7½	8-5⅛

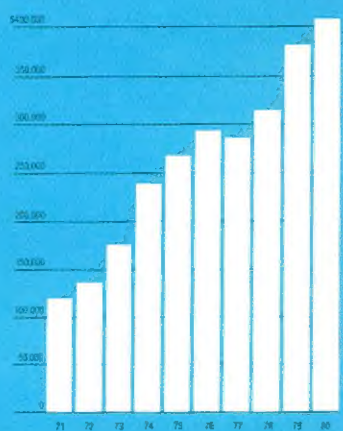
Income per Common Share before Extraordinary Items (Note a)



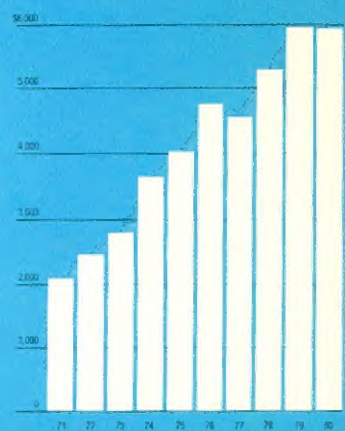
Equity per Common Share (Note a)



Sales (thousands)



Depreciation and Amortization (thousands)



1980 Results by Quarters

Quarter	Sales	Net Income
First	$ 84,679	1,312
Second	94,780	1,312
Third	107,319	3,155
Fourth	120,386	5,044
	$407,164	10,823

Income per Common Share (note a) (before extraordinary items)

Quarter	1980	1979	1978	1977	1976
First	$ .28	.33	.27	.18	.36
Second	.28	.66	.54	.60	.48
Third	.68	.84	.82	.80	.52
Fourth	1.08	1.14	.95	1.09	1.18
	$2.32	2.97	2.58	2.67	2.54

Directors and Officers

Officers

Hon. Walter L. Gordon	—Honorary Chairman
A. J. MacIntosh, Q.C.	—Chairman
Peter A. G. Cameron	—President
J. Boyd Clarke	—Vice President
J. P. Parker	—Vice President
J. A. McKee	—Vice President, Finance
T. M. H. Hall	—Controller
D. S. Hackett	—Manager, Marketing Research
W. H. Irwin	—Technical Director
D. S. Piercey	—Director, Insurance and Benefits
R. F. Trenchard	—Manager, Operational Auditing

Board of Directors

L. C. Bonnycastle	—Toronto
J. M. Brunton	—Toronto
†Peter A. G. Cameron	—Toronto
J. Boyd Clarke	—Toronto
*†Duncan L. Gordon	—Toronto
†Hon. Walter L. Gordon	—Toronto
*A. G. S. Griffin	—Toronto
*†C. Malim Harding	—Toronto
Hon. Maurice Lamontagne	—Ottawa
†A. J. MacIntosh, Q.C.	—Toronto
†J. H. Moore	—London
J. P. Parker	—Toronto
*B. H. Rieger	—Toronto
Zoltan D. Simo	—Toronto

*Member of the Audit Committee

†Member of the Executive Committee

Subsidiary Companies and Senior Officers

Electrical and Electronics

Chromalox Canada
Toronto, Ontario
Z. D. Simo, President
G. E. Marshall, Vice President Marketing and General Sales Manager
W. M. Argue, Vice President, Operations
S. F. Smith, Controller

Electro-Therm, Inc.
Laurel, Maryland, U.S.A.
L. D. Drugmand, President

Glengarry Industries
Cambridge, Ontario
H. J. Langille, General Manager

Heron Cable Industries Limited
Waterloo, Ontario
A. W. Mondoux, General Manager

Hull-Thomson Limited
Windsor, Ontario
W. M. Argue, President
D. J. Panton, General Manager

Oasis Air Conditioning Inc.
Mississauga, Ontario
C. R. Hollaman, General Manager

Solatherm Inc.
Mississauga, Ontario
D. Banning, General Manager

Thermetic Controls Limited
Mississauga, Ontario
H. Dickie, Vice President and General Manager

Delhi Industries Limited
Delhi, Ontario
G. K. McClatchie, President

Milltronics Limited
Peterborough, Ontario
A. E. Gillis, President

Rantech Electronics Limited
Toronto, Ontario
N. C. Reed, Vice President and General Manager

Residential Building Supplies

Cashway Building Centres
Cashway North Limited
Mississauga, Ontario
J. P. Parker, President
P. A. Wylie, Vice President and General Manager

Burnel Graham Co.
Schomberg, Ontario
T. R. Graham, President

Peterborough Lumber Limited
Peterborough, Ontario
J. A. Webster, General Manager

Graphics

Cutler Brands and Designs Inc.
Toronto, Ontario
E. H. Durnan, President

RBW Inc.
Owen Sound, Ontario
R. A. Morrison, President

Industrial Metal Products

Dominion Forge Company Limited
Windsor, Ontario
E. J. Marks, Vice President and General Manager

The Guelph Engineering Company Limited
Guelph, Ontario
J. P. Jones, President
R. Williams, Vice President and General Manager

IEC—Holden Inc.
Montreal, Quebec
R. B. Winsor, President

Neo Industries Limited
Hamilton, Ontario
J. P. Jones, President

Northern Pigment Limited
Toronto, Ontario
R. Fraser, President

Consumer Products

Arosa Properties Limited
Toronto, Ontario
E. C. LaBerge, President

Direct Film Inc.
Montreal, Quebec
A. Castegnier, President

Jelinek Sports
Oakville, Ontario
A. C. B. Wells, President

O.C.R. Concepts Ltd.
Toronto, Ontario
D. V. Loft, President

Regal Greetings & Gifts
Toronto, Ontario
J. P. Parker, President

Primes de Luxe Inc.
Neuville, Quebec
M. Grenier, President

Tender Tootsies Limited
London, Ontario
S. E. Lyons, President

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED Annual Report 1980